SUMMARY OF RESOLUTION

Authorization to Approve and Ratify the Proposed Terms and Conditions of the Collective Bargaining Agreements between Port Authority of Allegheny County and Local 85, Amalgamated Transit Union

The Collective Bargaining Agreements (Agreements) between Port Authority of Allegheny County (Authority) and Local 85, Amalgamated Transit Union (Local 85), covering terms and conditions of employment for rank-and-file employees and first-level supervisors, expired on June 30, 2012 and July 31, 2012, respectively.

Over the past several months, Authority management, leadership of Local 85, Allegheny County Chief Executive Rich Fitzgerald and representatives from Governor Corbett's staff have been in ongoing and intensive discussions and negotiations concerning the terms and conditions of new Agreements to identify substantial savings in an effort to avert substantial service reductions scheduled to take effect on September 2, 2012. These efforts have resulted in the proposed terms and conditions of the Agreements contained in the Summary attached hereto as Exhibit "A."

The terms and conditions of the Agreements have been recently approved and ratified by the members of Local 85. This resolution would approve and ratify the terms and conditions of the Agreements on behalf of Authority.

8/21/2012
J. Brooks

RESOLUTION

WHEREAS, the Collective Bargaining Agreements between Port Authority of Allegheny County (Authority) and Local 85, Amalgamated Transit Union (Local 85), covering terms and conditions of employment for rank-and-file employees and first-level supervisors, expired on June 30, 2012 and July 31, 2012, respectively; and

WHEREAS, over the past several months, Authority management, leadership of Local 85, Allegheny County Chief Executive Rich Fitzgerald and representatives from Governor Corbett's staff have been in ongoing and intensive discussions and negotiations concerning the terms and conditions of the new Collective Bargaining Agreements (Agreements) to identify substantial savings in an effort to avert substantial service reductions scheduled to take effect on September 2, 2012; and

WHEREAS, these efforts have resulted in the proposed terms and conditions of the Agreements contained in the Summary attached hereto as Exhibit "A"; and

WHEREAS, the proposed terms and conditions of the Agreements have been recently approved and ratified by the members of Local 85; and

WHEREAS, the Board of the Authority has reviewed the proposed terms and conditions of the Agreements and has received the affirmative recommendation of management of the Authority and labor counsel to approve the Agreements; and

WHEREAS, the Board of the Authority desires to approve and ratify the proposed terms and conditions of the Agreements.

NOW, THEREFORE, BE IT RESOLVED, that the proposed terms and conditions of the Agreements between the Authority and Local 85 covering rank-and-file employees and first-level supervisors, for the period from July 1, 2012 through June 30, 2016 and August 1, 2012 through July 31, 2016, respectively, as set forth on the Summary attached hereto as Exhibit "A" be, and the same hereby are, ratified, confirmed and approved.

RESOLVED FURTHER, that Authority's chief executive officer be, and he hereby is, authorized to make such changes in the precise language of the final written form of the Agreements as may be necessary in his opinion, and in the opinion of counsel, to express clearly the complete understanding of the parties.

RESOLVED FURTHER, that upon completion of the final written form of the Agreements, the chief executive officer and/or human resources officer be, and they hereby are, authorized and directed to execute the Agreements on behalf of the Authority, and to take all such other actions necessary and proper to carry out the purpose and intent of this resolution.

Exhibit A

Executed Term Sheet Between ATU Local 85 and Port Authority Management

For

Tentative Agreement to Modifications in Existing Collective Bargaining Agreements

August 8, 2012

TENTATIVE AGREEMENT

BY AND BETWEEN

PORT AUTHORITY OF ALLEGHENY COUNTY

AND

AMALGAMATED TRANSIT UNION LOCAL 85

1. Term of Agreement:

The term of the agreement shall be four (4) years beginning July 1, 2012 through June 30, 2016.

2. Wages:

During the term of the agreement, wages shall be adjusted as follows:

- There shall be a wage freeze effective until July 1, 2014.
- Effective July 1, 2014 – 2.25%
- Effective April 1, 2015 – 2.25%
- Effective July 1, 2015 – 2.0%
- Effective February 1, 2016 – 2.25%

3. Pension:

A. Effective with the pay period immediately following ratification, the employee contribution to the pension plan shall be increased to 10.5% of wages eligible for pension calculation purposes with the understanding that these additional contributions shall reduce the Port Authority's actuarially required contribution beginning in Fiscal Year 2012-13.

B. Should the plan become fully funded in the future, contributions shall be handled as set forth in Exhibit "A" attached hereto.

4. Vacation:

Effective for the calculation of vacation entitlements to be available in 2013 (based on hours actually worked in 2012 as calculated below), revise Sections 203b and Article 12A to increase the requirement of hours actually worked in the prior year to be entitled to full vacation and full vacation pay from 1200 to 1750 with a revised vacation entitlement schedule as follows:

Actual Work Hours:	Vacation Entitlement:
1750	Full Vacation
1600-1749	9/10
1450-1599	8/10
1300-1499	7/10
1150-1299	6/10
1000-1149	5/10
850-999	4/10
700-849	3/10
550-699	2/10
400-549	1/10
Under 400 Hours	No Vacation

The term "actually worked" shall include work time, paid vacation, and paid holiday only. Paid sick leave, sick and accident, and IOD days shall not be included in the calculation of time "actually worked" for calculating eligibility for vacation.

5. Post-Retirement Healthcare:

Employees hired on or after July 1, 2012 shall be eligible for up to a maximum of three (3) years (36 months) of retiree medical coverage. The plan offered to such a retiree shall be the same medical plan then offered to active employees while they are below age 65 and a Medicare supplement after they reach the age of 65. An employee must be eligible for an unreduced pension in order to be eligible for this benefit and shall be responsible for contributing to the cost of such coverage the same as active employees. Eligibility for this benefit will expire upon expiration of 36 months from the date of retirement regardless of age.

6. 10-Year Smoothing:

Effective with the January 1, 2012 actuarial valuation for the ATU Pension Plan, the asset valuation method used to determine the Authority's annual funding requirement (as described on page 27 of the January 1, 2011 actuarial valuation report) will be changed to use a 10-year smoothing period rather than a 5-year smoothing period. Historical actuarial asset gains and losses from 2002 through 2011 (as documented in prior valuation reports) will be used to determine the actuarial value of assets at January 1, 2012, as if the 10-year method had always been in place. The change in the unfunded accrued liability resulting from the change in the asset valuation method at January 1, 2012 will be amortized over 25 years, consistent with the amortization period for actuarial assumption changes as described in the amortization schedule displayed on Page 19 of the January 1, 2011 actuarial valuation report. The 10-year smoothing method will continue to be used for actuarial valuations on and after January 1, 2012.

7. Health Insurance:

The Union has committed to generating an additional savings of $1.8 million during the life of this agreement. In order to obtain that obligation it shall do the following:

1. The Union will encourage all retirees who subscribe to the indemnity plan to convert to Freedom Blue/Security Blue or elect other available programs or discontinue coverage.

2. For every retiree on the indemnity plan who leaves the plan, for any reason, the amount of savings generated by the retiree's leaving the indemnity plan shall be credited toward the designated savings of $1.8 million. It being understood that in the event the retiree elects another plan, the amount Port Authority must pay for that plan shall be charged against that savings.

In the event there are insufficient savings to reach $1.8 million by July 2014, the Health Care Committee shall meet to make suggestions for whatever change is necessary in order to reduce health care cost so as to achieve a total savings equaling $900,000 in each of the last two years of the contract term. These savings can be achieved through the change of carriers, plans, plan design or other elements. This amount, however, shall be reduced by the amount the Union is able to obtain from the reduction in the number of retirees on the indemnity plan as set forth in Paragraphs 1 and 2 above. The union shall have the right to designate other areas in which cost savings, attributable solely to their contract, equaling $1.8 million can be obtained.

8. Subcontracting –

The union has asserted that it can perform weed killing, snow removal, grass cutting, and window cleaning at Port Authority owned property that is currently subcontracted to third parties without the need to hire additional employees (beyond the current budgeted positions in the way department) and at current or lower cost than is paid to contractors. The parties have agreed that as soon as practicable, those functions will be returned to bargaining unit employees to perform taking into account considerations such as current contractual requirements and attainment of necessary certifications. The parties will then meet one year following the transfer of any such function to evaluate the effectiveness of the effort in terms of both cost and efficiency. In the event it is determined this work performed by the unit is more costly, then the Port Authority shall have the right to subcontract this work.

9. Reopener:

The parties to this agreement have negotiated changes consistent with the request of State and Local leaders. As part of that process there has been a commitment by those leaders and the parties to seek a long-term funding solution. In recognition of the fact that these parties do not control those decisions, they have agreed to a conditional reopener as follows:

In the event funding is insufficient such that Port Authority is forced to close another bus garage, layoff more than five (5%) per cent of the then existing bargaining unit employees or layoff more than 5% of 2300 bargaining unit employees over the life of this agreement, then the provisions set forth in this agreement shall, at the request of either party, be voided and the parties will return to the terms and conditions of the expired contract and resume negotiations for a successor agreement to the agreement that expired on June 30, 2012 (July 31, 2012 for First Level Supervisors). This reopener shall be in effect from the date of ratification through June 30, 2016 and shall expire at midnight on that date.

The collective bargaining agreement remains solely between the two parties – ATU Local 85 and the Port Authority of Allegheny County. However, its successful implementation relies on the provision of additional financial resources from the Commonwealth of Pennsylvania and Allegheny County, and each of these parties must also concur that the tentative agreement successfully meets their objectives. As such, the Commonwealth of Pennsylvania and Allegheny County must concur with the contents of this Agreement prior to a recommendation for full ratification by either ATU Local 85 and/or the Port Authority of Allegheny County.

August 8, 2012

The parties, as evidenced by the signatures below, agree to recommend the terms set forth herein for ratification.

By: Stephen G. Bland Date: 8-8-2012
Stephen G. Bland, Port Authority

By: Stephen M. Palonis Date: 8/8/2012
Stephen M. Palonis, Local 85

August 8, 2012

Exhibit A

Port Authority of Allegheny County – ATU Local 85 Pension Plan

PROPOSED CHANGE TO EMPLOYEE AND AUTHORITY CONTRIBUTION REQUIREMENTS IN THE EVENT THE PLAN BECOMES FULLY FUNDED

If the certified Actuarial Valuation Report for any year shows the Market Value of Assets as of the valuation date to be greater than or equal to the Present Value of Future Benefits as of the valuation date, then beginning on January 1 of the following year:

- Employee contributions to the pension plan will be reduced from 10.5% of Pension Wages to 4.5% of Pension Wages, and
- The Authority's contribution to the pension plan will be 4.5% of Pension Wages.

Additionally, for each year following the first year for which the Market Value of Assets is greater than or equal to the Present Value of Future Benefits, employee and Authority contributions will be subject to a minimum and maximum as follows, regardless of the funded status of the Plan for that specific year:

- The Authority's contribution to the pension plan will be a minimum of 4.5% of Pension Wages.
- Employee contributions to the pension plan will be a minimum of 4.5% of Pension Wages but will not exceed 10.5% of Pension Wages.

If the certified Actuarial Valuation Report for a subsequent year shows the Market Value of Assets as of the valuation date to be less than the Present Value of Future Benefits as of the valuation date, then required employee and Authority contributions beginning on January 1 of the following year will be determined as follows:

1. A "Total Required Contribution" applicable to plan year of the Actuarial Valuation Report will be calculated, using the Normal Cost and Amortization of Unfunded Actuarial Liability calculations shown in the Actuarial Valuation Report, but excluding the Present Value of Future Employee Contributions from the calculation.
2. The Total Required Contribution will be expressed as a percentage of Pension Wages, equal to the Total Required Contribution in item (1) above divided by the "Annual Payroll for Participants Active in this Plan excluding those assumed to retire immediately" shown in the Actuarial Valuation Report. The percentage will be rounded to the nearest 0.01%.
3. The employees' required contribution for the year following the plan year of the Actuarial Valuation Report will equal a percentage of Pension Wages equal to the percentage in item (2) above reduced by 4.5% but subject to a maximum of 10.5%.
4. The Authority's required contribution for the year following the plan year of the Actuarial Valuation Report will equal a percentage of Pension Wages equal to the percentage in item (2) above reduced by the percentage in item (3) above.

Under the current funding method, the Amortization of Unfunded Actuarial Liability component of the required contribution shall be determined as follows:

- For any year for which the Market Value of Assets is greater than or equal to the Present Value of Future Benefits on the valuation date, the Unfunded Actuarial Liability shall be set to $0, and all previously established amortization bases shall be deemed to be fully amortized.
- For the first subsequent year in which the Market Value of Assets is less than the Present Value of Future Benefits on the valuation date, the Unfunded Actuarial Liability as of the valuation date will be amortized over 15 years, similar to an actuarial experience gain or loss.

The Plan's actuaries may recommend a change in the underlying actuarial funding method beginning with the first year for which the Market Value of Assets is greater than or equal to the Present Value of Future Benefits. Such change would be subject to agreement between the Authority and ATU actuaries and would be implemented only upon approval of the Retirement Committee.

For purposes of clarification, terms used above shall have the following meaning:

- The "Present Value of Future Benefits" is the value of all benefits expected to be paid to plan participants as of the valuation date, including benefits expected to be earned in the future. The comparable figure from the January 1, 2011 Actuarial Valuation Report is $920,682,293, shown on page 16 of the report.
- The "Market Value of Assets" is the value of assets without regard to the smoothing method used for contribution calculations. The comparable figure from the January 1, 2011 Actuarial Valuation Report is $607,274,627, shown on page 12.
- "Pension Wages" is the portion of employees' compensation used for pension benefit determinations and employee pension contributions, as defined in the Plan document.
- "Unfunded Actuarial Liability" is also known as "Unfunded Accrued Liability" in prior valuation reports. It is equal to $141,113,988 as of January 1, 2011, and its calculation is shown on 16 of the January 1, 2011 Actuarial Valuation Report.
- The "Total Required Contribution" determined for the 2011 plan year would be the Estimated Annual Funding Requirement shown on page 18 of the January 1, 2011 Actuarial Valuation Report, calculated by substituting $0 for the Present Value of Future Employee Contributions on line 5 of the Normal Cost calculation. The result would be a Total Required Contribution of $30,705,412. The amount expressed as a percentage of pension wages would be 22.38%.